

TESTIMONY
OF
JAMES E. PRESS
PRESIDENT, TOYOTA MOTOR NORTH AMERICA, INC.

Before The

United States House of Representatives
Subcommittee on Energy and Air Quality

of the

Energy and Commerce Committee

March 14, 2007

Good afternoon Mr. Chairman and members of the subcommittee. I am Jim Press, president of Toyota Motor North America. I am honored to have this opportunity to discuss the issues of climate change and energy security with you today.

Two of Toyota's founding principles are the "elimination of waste" and "service to society." These principles permeate our products and our actions now and will into the future. They are in Toyota's DNA. These principles guide us as we address climate change and energy security.

Toyota has long been mindful of and accepts the broad scientific consensus that climate change is occurring and will continue unless there are significant and coordinated global efforts to slow the growth of man-made greenhouse gas emissions. Toyota is committed to continued action to address climate change and promote greater energy diversity by increasing the fuel efficiency of our products, developing new markets for advanced vehicle technology and alternative fuels, and reducing the greenhouse gas footprint from our vehicles, manufacturing and distribution portions of our business.

The motor vehicle industry has a responsibility to be part of the solution, but these issues cannot be addressed by this industry alone. US action on both issues must, by definition, be national in scope and involve a wide range of industries and sectors of the economy, as well as consumers.

Toyota is committed to continuously improving the fuel efficiency of our full-line fleet. The centerpiece of our efforts is hybrid technology - - a revolutionary power train system derived from our in-house research and development program. This innovative system is designed to substantially increase vehicle fuel economy and significantly reduce emissions. Toyota hybrid vehicles are over 70 percent cleaner for smog-forming emissions than the average new vehicle and can offer up to twice the fuel economy. Over and above that, hybrid technology is an essential and enabling element of future powertrains, such as plug-in hybrids and fuel cells.

2007 marks the 10th year of the Prius, our first hybrid. I am happy to say the introduction of Prius was a sound business decision. In 2006, the Prius was our third best selling passenger car in the U. S. after the Camry and Corolla. As of January 2007, we have sold almost one-half million

(472,000) hybrids in the U.S. We now offer 6 different hybrid models of vehicles -- Prius, Camry, Highlander, Lexus GS 450h, Lexus RX 400h; and soon the Lexus LS600hL. However, even with Toyota's success in hybrids, this technology accounts for only about 2% of U.S. new vehicle sales.

Hybrid technology embodies our core belief that the most effective solutions are mass market solutions. To that end, Toyota sees hybrid technology as critical to the commercialization of future drivetrains. Many of the same components found in our current hybrids are being used in the hydrogen fuel cell vehicles we are testing in the US.

The same can be said for plug-in hybrids, another technology we are aggressively pursuing. It is not a lack of will that is keeping this concept from commercialization. At the present time it is the absence of technical breakthroughs to address the issues of battery technology, weight, and cost.

While fuel cell and plug-in hybrid research continues, so too does our application of advanced technology on "conventional" gasoline engines. We employ a wide array of the technologies on our vehicles, such as

Variable Valve Timing with intelligence, 4-valves per cylinder, advanced automatic transmissions, direct injection gasoline engines, and more.

We are also aggressively pursuing clean diesel technology, as well as vehicles capable of operating on renewable fuels such as ethanol and bio-diesel.

Advanced vehicle technology must be assessed and developed in parallel with fuel infrastructure, and both must be implemented in a way and at a time that optimizes broad commercialization of the technology applied to vehicles. If the proper fuel is not available, the advanced technology will fail to achieve the desired result. We need both fully formed technology and lower-carbon fuel infrastructure to come to market together.

In addition to vehicle technology improvements, in-use impacts from the existing fleet of vehicles can be reduced through a series of measures. For example, smarter land use planning, increased reliance on mass transit and greater use of so-called “intelligent transportation systems” can all reduce traffic congestion and energy consumption.

Toyota supports the use of national performance-based regulatory programs, so long as the program is fair, technologically feasible, cost effective and does not discourage early compliance, technological innovation and safety improvement. In this context, we support increasing both the passenger car and light-duty truck fuel economy standards, and giving NHTSA the authority to reform the passenger car standard.

Toyota believes governments at all levels -- federal, state and local -- are most effective when they focus on the desired outcome instead of picking winners through mandates. Competition in the marketplace with various technologies will better determine what succeeds and what does not with consumers.

The opposite of mandates is incentives. There is clearly a role for government to create incentives that will promote technologies that reduce greenhouse gases and support energy security. A positive example of this are the tax incentives provided in the 2005 Energy Policy Act. That program has been successful, but in order to assure its continued success and stimulate greater demand for fuel saving technologies, the cap on vehicles eligible for the tax credit should be removed. This will encourage

consumer purchases, broaden acceptance and lead to more applications of advanced technologies.

The greenhouse gas impact from motor vehicles is inexorably linked to their fuel economy. With regard to Toyota's fleet in the US, we have exceeded the applicable fuel economy standards since their inception in 1978. In 2005 (the latest year for which complete public data are available), our combined car and truck fleet fuel economy was 28.9 mpg, exceeding the combined average of the rest of the industry by 4.1 mpg, or nearly 17%. We have done this while providing a full range of vehicles -- from subcompacts to the best selling passenger car -- Camry, the best selling luxury vehicle line in the U.S.-- Lexus -- as well as a full line of trucks and SUVs .

Toyota has a proven track record of bringing advanced technology to market and achieving high levels of fuel economy. Over their lifetime, the past 10 model years of Toyota vehicles sold in the U.S. will consume 11 billion fewer gallons of gasoline (nearly 265 million fewer barrels of oil) than if we had merely met fuel economy standards. These same vehicles will emit over 100 million metric tons less of CO₂.

Toyota's commitment to reducing the greenhouse gas footprint of our products does not stop there, however. Energy conservation and energy efficiency are core considerations in the full life cycle of our vehicles. For example, in 2002 we set an internal target to reduce energy consumption from our U.S. manufacturing operations by 15% per unit of production by 2005 compared to a 2000 baseline. We have not only met but exceeded that target ahead of schedule, and we have established an even more aggressive goal for the 2007-2011 time period.

Toyota also sets targets to reduce energy use and track greenhouse gas emissions generated during the distribution of vehicles and parts, as well as from sales facilities. So far we have been successful in meeting our goals ahead of schedule and we have set a goal of reducing energy consumption from these operations by 19% compared with an FY 2001 baseline.

Tackling climate change and fostering energy diversity requires careful deliberation and balancing with other national priorities. It also demands innovation, unconventional thinking and most of all, action. I

believe the time is right to enlist the immense talent and might of the auto industry to help solve some of the key issues of our time. As an industry we have an obligation to be part of the solution not the problem. Toyota pledges to do its part to lend a hand and to work with the rest of the world to help create real solutions.

I thank the subcommittee for its interest in our views and for this opportunity to share some of our current thinking with you. I will be happy to respond to your questions.